



Pemberton, HR. (2012). The failure of 'nationalization by attraction': Britain's cross-class alliance against earnings-related pensions in the 1950s. *Economic History Review*, 65(4), 1428-1449.  
<https://doi.org/10.1111/j.1468-0289.2011.00634.x>

Peer reviewed version

Link to published version (if available):  
[10.1111/j.1468-0289.2011.00634.x](https://doi.org/10.1111/j.1468-0289.2011.00634.x)

[Link to publication record in Explore Bristol Research](#)  
PDF-document

This is the accepted version of the following article: Pemberton, H. (2012), The failure of 'nationalization by attraction': Britain's cross-class alliance against earnings-related pensions in the 1950s. *The Economic History Review*, 65:4 1428-1449, which has been published in final form at <http://dx.doi.org/10.1111/j.1468-0289.2011.00634.x>

## University of Bristol - Explore Bristol Research

### General rights

This document is made available in accordance with publisher policies. Please cite only the published version using the reference above. Full terms of use are available:  
<http://www.bristol.ac.uk/red/research-policy/pure/user-guides/ebr-terms/>

# THE FAILURE OF ‘NATIONALIZATION BY ATTRACTION’: BRITAIN’S CROSS-CLASS ALLIANCE AGAINST EARNINGS-RELATED PENSIONS IN THE 1950s<sup>1</sup>

**HUGH PEMBERTON**

University of Bristol, Department of Historical Studies  
11 Woodland Road, Bristol BS8 1TB, United Kingdom  
Email: [h.pemberton@bristol.ac.uk](mailto:h.pemberton@bristol.ac.uk)

This is the peer reviewed version of the following article: Hugh Pemberton, ‘The failure of “nationalization by attraction”: Britain’s cross-class alliance against earnings-related pensions in the 1950s, *Economic History Review*, 65:4 (2012), pp. 1428-1449, which has been published in final form at <http://dx.doi.org/10.1111/j.1468-0289.2011.00634.x>

This article may be used for non-commercial purposes in accordance with

[Wiley Terms and Conditions for self-archiving](#).

## **Abstract**

In 1957, the Labour Party published radical proposals for a state earnings-related pension scheme (‘national superannuation’) whose funds were to be invested in stock markets to generate high returns, and to help modernize and dynamize the British economy. This article explores a sophisticated campaign against the proposal by the insurance industry, and the resistance of the unions. In doing so, it considers the implications of this cross-class alliance, not least in terms of a possible missed opportunity to build a ‘developmental state’ in the UK, but also in terms of the country’s increasingly inadequate and inequitable system of pension provision.

---

The 1950s was a period of unparalleled peace-time economic growth with Britain increasingly an 'affluent society' which in many respects really had 'never had it so good' as Harold Macmillan claimed in 1957. Yet, by the mid- to late-1950s what is sometimes called the 'postwar settlement' was already being called into question. Emerging evidence of Britain's relatively poor economic performance gave rise to rising concern about the country's apparent economic 'decline'; concerns which, in the early-1960s led to what Samuel Brittan called 'a great reappraisal' and to attempts (ultimately failed) first by the Conservatives and then by Labour to create the 'developmental state' that seemed to so many at the time to be essential to the revitalization of the British economy.<sup>2</sup> At the same time, there was also a growing feeling that the postwar welfare state had not entirely delivered the results expected of it. This concern was to reach its full flowering with the 'rediscovery' of poverty in 1965 (following the publication of Brian Abel-Smith and Peter Townsend's landmark *The poor and the poorest*) but a decade earlier the plight of the aged poor, and the fact that those dependent on the state pension were falling behind their luckier counterparts with company pensions, was already creating pressure for a radical extension of the welfare state.<sup>3</sup> In 1957 these twin pressures were effectively brought together when the Labour Party, then in opposition, published an unusually well-thought out and radical set of proposals for a state earnings-related pension scheme.<sup>4</sup> Labour's proposed system of 'national superannuation' promised to provide workers with a pension equal to about half average earnings. It would embody an important element of redistribution between contributors: between higher- and lower-paid workers; and between the young and the old. But its most radical element was perhaps Labour's intention to invest the very large funds that would accrue to the scheme in stock markets in order both to modernize the economy and to maximize returns.

This was not just a key moment in the development of British pensions. Leslie Hannah has remarked that, with only a third of workers in occupational schemes, the mid- to late-1950s was probably the 'last practical moment at which a state earnings related pension scheme could have wiped out the bulk of demand for private provision in Britain'.<sup>5</sup> But Hannah's use of the phrase 'wiped out' reminds us that it was also a key moment in the postwar development of British capitalism; for the political battle that

took place in the late-1950s over the best means of providing earnings-related pensions was at root also a battle over the ownership and control of a large slice of British capitalism.

Ultimately, Labour's radical plan fell victim to its defeat in the 1959 general election, though even before then it was clear that national superannuation was not going to be the vote winner that the party had anticipated. Instead, the much more limited 'graduated retirement pension' was implemented by the Conservatives in 1961. This was a minimalist earnings-related top-up to the flat-rate basic state pension designed to be a 'back-stop' to voluntary provision. In conjunction with generous tax reliefs on contributions to private occupational pensions, it was deliberately calculated to ensure the continued growth of what Gordon Clark has termed 'pension fund capitalism'.<sup>6</sup> By 1967, 12.2 million British workers were in occupational pension schemes, around half the workforce, and half as many again as had been in such schemes in 1956.<sup>7</sup>

It is not surprising that the finance sector resisted Labour's national superannuation plans, for they heralded the effective nationalization of the British life assurance industry and a considerable increase in the scope of public ownership and control of British industry and commerce more generally. More surprising, perhaps, is the resistance of organized labour to Labour's attempt to extend the welfare state. Traditionally, so called 'labourist' explanations of welfare state development have emphasized the role of organized labour in the creation and subsequent expansion of welfare states.<sup>8</sup> In the British context, for example, it has been seen as an important factor in early welfare reform, and as a significant contributor to the extension of the welfare state set in train by Beveridge in 1942.<sup>9</sup> Critics have argued that the emphasis on organized labour is too narrow, noting for example that it was the Liberal rather than the Labour Party that ushered in British welfare reform after 1906. Ann Orloff, has emphasized the role played by inherited political institutions and processes.<sup>10</sup> Others have seen cross-class coalitions as a key variable in explaining variations between countries in the form and extent of state welfare provision.<sup>11</sup> There has, however, also been a growing recognition that cross-class alliances involving organized labour might also sometimes work against the expansion of welfare provision by the state. Thus, for example, a combination of wage controls in the second world war and tight labour

markets in the postwar 'golden age' is seen to have encouraged the development of 'private social benefits' in a 'divided welfare state', particularly when it came to pensions in Britain and the USA.<sup>12</sup> The argument is that in such conditions collective bargaining between trade unions and employers favoured the expansion of occupational pensions as a species of 'deferred pay'. Indeed, trade unions and employers have been identified as remarkably important in the development of 'pension fund capitalism' and in resistance to state-run alternatives to private pension schemes.<sup>13</sup>

In explaining the failure of Labour's pension plan to capture the public imagination, this article will argue that there is actually little evidence of employers playing an active role in opposing the party's proposals, other than their resistance to the idea that membership of national superannuation should be compulsory and that occupational pension rights should be transferable when a worker changed jobs. Rather, it finds evidence of a cross-class alliance between capital and labour in the sense of a correspondence between the interests of the life assurance sector and the unions when it came to pensions. It argues that a key role in the defeat of Labour's proposals was played by a sophisticated lobbying operation undertaken by the life companies, which feared that national superannuation would mark the end of a lucrative and rapidly rising occupational pension scheme business.<sup>14</sup> But an important part was also played by the trade unions, many of which actively opposed Labour's plan. This essay, after briefly outlining Labour's pension proposals, explores the reactions to them by these unlikely allies and the ways in which each sought to oppose key elements of national superannuation. It ends by considering the implications of this cross-class alliance between capital and labour for the country's increasingly inadequate system of pension provision, but also in terms of a possible missed opportunity to build a 'developmental state' in the UK.<sup>15</sup>

## I

Even at its inception, the state pension ushered in by the 1946 National Insurance Act was inadequate, Beveridge having lost his battle to have it set initially at a 'subsistence' rate (i.e. at a rate at which recipients could actually live on it alone).<sup>16</sup> Postwar inflation

then served to make it more so for, despite the reluctant concession by the government of periodic rises, it fell below the rate of national assistance, a poverty benchmark.<sup>17</sup> In an increasingly affluent society, the poverty of many old people was a growing embarrassment.

Four basic options for remedying the situation presented themselves. Firstly, one could simply privatize pensions, allowing the growing number of occupational schemes to take up the slack. Whilst congenial to many Conservatives, however, the stumbling block here, as we shall see, was that the insurance companies were not enthusiastic about taking on a large number of unprofitable low-paid workers. Alternatively, there was theoretically still scope for government to subsidize higher pensions from general taxation. However, two factors discouraged this. The Labour government's decision in 1946 to drop Beveridge's 20-year build-up of pension rights meant that the Treasury became obsessed by the 'growing army' of workers who would be able to retire on a full pension from 1958 having paid only ten years contributions. Coupled with the Treasury's persistent suspicion that spending on social security amounted to throwing 'money down the sink', the result was that it worked tirelessly to contain spending on pensions so far as was possible.<sup>18</sup> In addition, with taxes at an historically high level, there were worries about how the electorate would react to further rises and worries that the fiscal system as a whole was losing legitimacy.<sup>19</sup> A third option was to improve the finances of the national insurance fund by raising the level of the flat-rate contribution. But flat-rate contributions were tied to the level that could be afforded by the poorest workers – 'the Beveridge strait-jacket'.<sup>20</sup> Which leads us to the fourth option, to break with the flat-rate principle. Given Labour's ideological antipathy to the power of finance capital, its worries about the electorate's appetite for higher taxation to fund welfare spending, and its concern to ensure that contributions were affordable by the poorest workers, it was this option that proved most attractive to the party.

In May 1957, Labour published its proposals for national superannuation; what Richard Crossman, its political champion, tended to refer to as 'half-pay-on-retirement'.<sup>21</sup> *National Superannuation* was the product of an unprecedented use of academic advisers (Richard Titmuss, Brian Abel-Smith and Peter Townsend from the LSE).<sup>22</sup> It began with a perceptive analysis of 'the case for change'. This rightly highlighted the

disappointment felt by those who had placed their faith in the ability of the flat-rate state pension to provide a subsistence pension for all. It noted that, although workers were generally doing well, 'real poverty still exists among our old people'.<sup>23</sup> It highlighted the increasing problem of "'two nations" in old age' identified by Richard Titmuss, its principal architect – the gap opening up between a 'privileged minority' lucky enough to benefit from generous occupational pension schemes and the 'unprivileged majority' who continued to be dependent on the state pension. But it also acknowledged that there appeared to be 'a very real limit to the amount which the taxpayer – and that includes the working-class taxpayer – [wa]s prepared to pay in taxes'.<sup>24</sup> The 'only way forward', argued Labour, was 'an all-embracing system of national superannuation' to extend the benefits of earnings-related occupational pensions to all; thus transforming 'a minority privilege into a right available to every citizen', and effectively legitimizing higher contributions by offering better pensions in return.<sup>25</sup> After a 20-year transition period a worker earning around the national average with a full contribution record could expect a pension equivalent to about half their earnings at retirement.<sup>26</sup>

The scheme that Labour proposed would not, however, be a mere copy of private occupational schemes. It would not be 'actuarial'. Labour proposed to give it a socialist dimension by incorporating within it a floor below which no pension would be permitted to fall, thus providing an element of redistribution from high- to low-wage earners.<sup>27</sup> Other important features were, firstly that pension rights would not be lost on a change of job, an important change that would increase job mobility.<sup>28</sup> Secondly, the pension would be 'dynamised' in order to protect contributors against inflation: at the time of retirement the pension entitlement would be based upon an average lifetime salary calculated in real not nominal terms; and once in payment the pension would be linked to changes in a new cost of living index. These were benefits that private sector occupational schemes would struggle to match because it would be expensive to hedge against unknown inflation prospects over the long-term. This was entirely deliberate, for the genesis of national superannuation lay in the analysis of its academic architects that only by a significant decline in the provision of pensions by the private sector could the problem of 'two nations in old age' be solved.<sup>29</sup>

Perhaps the most revolutionary proposal arose, however, from the considerable fund that Labour envisaged building up to finance future pensions – something the Phillips Report had deemed 'not practicable' when it had considered the idea in 1954, arguing that 'to mortgage so large a part of the national resources ... would, on the whole, be injurious to the economy'.<sup>30</sup> The advent of earnings related contributions would produce a substantial income (estimated to be just over £1.1bn per annum in its first year of operation). This was more than double the combined total of annual employee and employer contributions to public and private sector occupational pension schemes in 1956.<sup>31</sup> Labour's academic advisers estimated that, after allowing for the payment of pension benefits and assuming constant prices and productivity, this would produce a fund of about £800m in 1960, rising to £4.5bn in 1970 and £7.8bn in 1980. This very large fund (in 1956, when the estimate was made, UK GDP was about £20bn.) would be 'boldly invested' in equities to 'help the country carry through the large-scale capital investment so essential if we are to continue to expand our exports and improve our living standards'. The scheme's architects noted, however, that such 'large-scale competition by the state in the field of investment will not be welcome in certain quarters'; and they sought to deal with such criticisms by proposing that the investment policy of the fund be controlled by trustees appointed by the government.<sup>32</sup>

## II

Not surprisingly, Labour's proposals were vigorously opposed by the life insurance industry. Shares of insurance companies fell when Labour's plan was published as investors wondered if national superannuation might spell the end of private pensions.<sup>33</sup> As soon as they had got wind of Labour's scheme, the Life Offices Association, the Associated Scottish Life Offices, and the British Insurance Association had begun to consult and to coordinate a response. Even before *National superannuation* was published, they were publicly raising questions about the impact of Labour's proposals on existing occupational schemes, implying that its benefits would depend on the whim of the government of the day, asking what would be the impact on inflation, on savings, and on competitiveness, and noting that the scheme would mean the state 'becoming a heavy investor in private industry'.<sup>34</sup>



To help fight the idea of national superannuation, the Life Offices' Association engaged the services of Notleys (its then advertising agency) to oversee a public relations campaign aimed at undermining the proposal.<sup>35</sup> Within a month, the association had allocated £40,000 to finance a series of advertisements highlighting the importance of occupational pensions to British workers, and to fund the publication of a booklet arguing that any earnings-related state scheme could have a catastrophic impact on existing company schemes.<sup>36</sup> On Labour's rumoured intention to invest in stock markets the latter bluntly concluded that these funds could not 'long remain free from political influence, or even direction' and this would 'lead to undue state control and, ultimately, full control of large sections of industry'.<sup>37</sup> As the chief actuary of the Prudential Assurance Company privately put it to Crossman, the fund envisaged by Labour would be three times that of the Prudential, itself as great as all the funds of the other life companies put together; Labour would 'own the country in ten years at that rate!'.<sup>38</sup>

By May 1957, the Life Offices' Association and the Scottish Life Offices had set up a joint publicity committee to coordinate the PR campaign. Already, 60,000 copies of the LOA booklet had been sent to newspapers, political opinion formers, relevant government departments, employers' associations, members of the TUC general council, and every company pension fund in the country. A further 20,000 were on order, and the LOA had authorized spending up to £70,000 on its campaign.<sup>39</sup> A popular version of the LOA booklet was to be distributed to trade union members and to members of company pension funds.<sup>40</sup> Then, in response to Labour's publication *National superannuation* in May, the joint life offices issued a robust press release attacking its proposals – managing at once to argue that the forecast fund was unlikely to build up a fund 'commensurate with its vast commitments' and to warn that its investment in stocks and shares 'would introduce a new and politically controversial factor into the field of pensions'.<sup>41</sup>

One notes that early in its private deliberations the life offices' joint publicity committee identified trade unionists as important allies in any campaign against national superannuation, opening up private discussions with the head of the TUC's social insurance and industrial welfare committee and with individual unions.<sup>42</sup> Three

aspects of national superannuation seemed to suggest that unions might be co-opted in opposing Labour's plan. Firstly, pensions were effectively 'deferred pay' and traditionally viewed as part of conditions of work subject to collective bargaining between trade unions and employers. Secondly, as the life offices put it, the 'socialist element of support of the low-paid workers by the higher-paid' would operate to the detriment of the latter, many of whom were trade union members since they tended to work for larger concerns (which were more likely to offer company pensions) and to be better paid than other workers.<sup>43</sup> Thirdly, Labour proposed to require any schemes contracting out of national superannuation to offer benefits at least as good and, because it would be so expensive for company schemes to match these benefits, employers would be tempted to wind up their pension schemes and thus their workers risked a loss of benefits.<sup>44</sup>

As we shall see, this direct lobbying of trade unionists and the indirect effects of the life offices' public relations campaign were to shape trade union resistance to national superannuation, and before long newspapers across the political spectrum were highlighting TUC concerns.<sup>45</sup> In September, the joint life offices began to distribute 156,000 copies of a second booklet - a highly critical review of Labour's national superannuation proposals.<sup>46</sup> This highlighted the high degree of redistribution implied and emphasized the threat posed to eight million members of existing occupational schemes, and to the prospects of workers who could hope eventually to be in such schemes.

This second booklet also warned that the proposed investment of the national superannuation fund in stock markets would result in 'a sudden and severe shock to the economy'. In this, the life offices were working with the grain of widespread criticisms by Conservative ministers, by City spokesmen, and by many newspapers and journals, that national superannuation amounted to 'nationalization by the back door'.<sup>47</sup> This claim that national superannuation was a cover for a renewed round of nationalization by Labour was given credence by the simultaneous publication by the party of *Industry and society*. This, whilst it endorsed the relatively positive attitude towards the private sector of many Labour revisionists, still defended the principle of nationalization. Peter Baldwin notes that both *Industry and society* and *National superannuation* were

debated at the 1957 annual Labour conference, implying a link between the two, but that link was implicit rather than explicit.<sup>48</sup> In fact evidence of linkages between the proposals is hard to find. Remarkably little thought appears to have been given to the investment strategy to be followed by the proposed national superannuation fund. Past commitments to a 'national investment board' (which had first appeared in the 1931 Labour manifesto) were implicitly invoked but not explored in terms of implementation.<sup>49</sup> Given the controversy over nationalization within the party this was likely deliberate. However, Labour's failure to insulate the administration of the national superannuation fund from government control, its failure to think through how the fund would be invested, and to what ends, and its failure fully to clarify its thinking on nationalization gave credence to accusations that national superannuation would provide the funds for a renewed and extensive nationalization programme. In the context of low public support for further nationalization this was disastrous.<sup>50</sup> By linking national superannuation to the issue of nationalization, therefore, the life offices and other critics went a long way towards discrediting it.

At the same time, the joint life offices continued to wage a highly effective lobbying campaign aimed at defending occupational pension schemes and the considerable revenue they derived from them. In 1958, for example, they allocated a further £75,000 to their advertising budget and Notley's continued to place articles in the press, in the 'house magazines' of occupational pension schemes and in women's magazines, and to get the life offices' case presented on a range of television and radio programmes.<sup>51</sup> Alongside this effort to mobilize public opinion to defend occupational pension schemes, the insurance industry also sought from the start to influence directly the development of policy by the Conservative government.

Temperamentally, many Conservative ministers were in favour of a private sector solution.<sup>52</sup> Indeed, the minister of pensions favoured expanding the private sector to provide occupational pensions for all workers.<sup>53</sup> Publicly, the insurance industry seemed prepared to oblige.<sup>54</sup> Privately, whilst it certainly wanted to expand, it knew that setting up occupational schemes for the large number of very small firms in the UK would be costly and unprofitable. Ultimately, therefore, some other solution must be found that would cover these workers (which the life offices publicly estimated to be

about ten per cent of the workforce, without doubt a considerable underestimate given the tone of their private discussions).<sup>55</sup> The life offices' aim was that any 'state scheme should be small and should be kept small' – providing minimal benefits that would meet the demand for earnings-related pensions for all whilst encouraging the continued growth of profitable private schemes that would be allowed to contract out of the state scheme.<sup>56</sup> In a highly effective lobbying campaign, involving close cooperation with key ministers such as Iain Macleod, then minister of labour, the life industry was able to stymie an attempt by the prime minister, Harold Macmillan, to offer a generous state earnings-related scheme as a response to Labour's electorally attractive proposals.<sup>57</sup> Instead, the basis of the government's final legislation instituting a 'graduated retirement pension' was the Life Offices' proposed 'backstop' scheme, with employers allowed to contract-out of by setting up their own scheme of equivalent or (more likely given the low level of benefits envisaged in the Conservatives' plan) greater generosity.<sup>58</sup>

Thus, the life offices through their public relations and lobbying campaign succeeded in both shaping to their advantage the government's legislative response to Labour's proposals and in mobilizing public opinion generally, and trade unionists in particular, against what they portrayed as an attack by Labour on occupational pension rights enjoyed by nearly nine million working people. At the same time, however, the insurance industry's links with employers ensured the two interest groups worked together, and their mobilization of trade union opposition had a significant impact on Labour's own crafting of its proposals for national superannuation. It is to this that we now turn.

### III

When it came to employers, attitudes to Labour's national insurance proposals were ambivalent. There was actually some support in industry for the idea of investing national insurance contributions in 'productive industry', so long as this was undertaken by a politically independent national insurance board, though there were doubts about whether independence could ever be assured.<sup>59</sup> Employers' objections

centred on two aspects of pension reform, whether carried out by Labour or by the Conservatives. Firstly, they were violently opposed to the idea that an employee should retain pension rights on a change of employment. The British Employers' Confederation, for example, rejected the idea that such a loss of benefits restricted job mobility and dismissed the idea that employees should be regarded as acquiring some form of title to contributions made by an employer on their behalf to a pension scheme.<sup>60</sup> At the heart of BEC objections, however, was the fact that loss of benefits on leaving employment before retirement both reduced the cost of providing company pensions and, crucially in the tight labour market of the time, helped to tie workers to their employer. Publicly employers vehemently denied that company pensions served to bind workers to their firms. Privately they acknowledged that they did, and that this was in fact a crucial part of many firms' employment strategy. Ultimately, however, the BEC was forced to conclude that transferability must be conceded as 'a political necessity' given the degree of cross-party support for greater job mobility in the interests of economic growth.<sup>61</sup> Nonetheless, given the importance of company pensions in securing the loyalty of workers, employers were keen to ensure that company pension schemes should be allowed to 'contract out' of any national scheme, and were to lobby the Conservative government hard to ensure contracting out was allowed on good terms.<sup>62</sup> This aside, however, and despite their general agreement with John Boyd Carpenter's stigmatization of national superannuation as a 'castle in the air', on the whole the employers were content to leave opposition to Labour's pension plan to the pension funds, and to the unions.<sup>63</sup>

On what basis was union opposition to national superannuation grounded? In the mid-1950s, the TUC found itself in an increasingly difficult position over pensions. Since the 1930s, it had been committed to a universal welfare system of flat-rate contributions and benefits topped up from general taxation. Thus, Labour received short shrift when it first approached the TUC in 1953 with the idea of shifting Britain's national insurance system to one in which contributions were linked to earnings.<sup>64</sup> Later that year Labour once more approached the TUC, proposing a better state pension funded via an earnings-related social security tax, only to be rebuffed again.<sup>65</sup> Increasingly, however, the TUC was finding its stance on pensions at odds with the patent inadequacy of the 1946 settlement. Increasingly, too, that stance was at odds with the

interests of the growing number of trade unionists who were members of occupational pension schemes.

Historically, the TUC had opposed company pension schemes that it feared would divide the loyalties of employees between their firm and their union, and which it felt had the potential to subvert free collective bargaining by offering benefits outside its scope. By the mid-1950s, however, the TUC recognized that in this area the ground was shifting, but was all too aware that it lacked data that would allow it fully to understand the nature of the change. In 1956, therefore, it conducted a survey of member unions. To its surprise, though the response was not large, almost all those unions that replied were in favour of occupational pension provision.<sup>66</sup> The TUC's social insurance and industrial welfare committee, however, remained concerned about the potentially divisive implications of such a shift – fearing, for example, that the growing number of occupational pension scheme members might be used by the government as an excuse to shift away from a universal state pension towards targeting the scheme at those without such cover.<sup>67</sup>

In 1955, the Labour Party had returned to the issue of pensions when Richard Crossman, impressed by Brian Abel-Smith and Peter Townsend's recent Fabian pamphlet on pensions, persuaded Hugh Gaitskell to bring the two academics, along with their LSE colleague Richard Titmuss, into a new study group on security and old age that was tasked with formulating a new policy approach. The study group began by considering a memorandum from Abel-Smith proposing that the level of the state pension be improved via the introduction of a state earnings-related superannuation scheme.<sup>68</sup> In a sense, therefore, the proposals set out in Abel-Smith's memorandum might be seen as an attempt to forestall any attempt by the Conservatives radically to cut the scope of the state scheme by using the developing occupational pensions system to privatize a large section of pension provision. The proposal should also, however, be seen in the context of a developing appreciation amongst the LSE advisers in Labour's study group (derided by the minister for pensions and national insurance as the 'skiffle group') of the problems posed for equality by the developing occupational pensions sector. Thus Abel-Smith's memorandum sprang directly from a co-authored Fabian pamphlet with Peter Townsend on how to provide better pensions, but it also owed a

considerable debt to Titmuss's analysis that tax subsidies to occupational schemes were costing the state £100m per annum (more than that spent on state pensions for the whole population) and that a combination of an inadequate state pension and the growth of occupational provision was creating a stratified pensions system, or 'two-nations in retirement'.<sup>69</sup>

The following year, Titmuss set out his argument that unless the country was prepared to 'envisage a new, comprehensive, compulsory superannuation system' based on differential contributions and benefits then the system must inevitably come to be dominated by occupational pension provision for those lucky enough to be members of such schemes, and by means-tested National Assistance for the rest.<sup>70</sup> To avoid such an outcome, he proposed that after a transition period of about a decade Britain should move to a compulsory earnings-related 'work pension for a working society'.

Titmuss acknowledged that moving to such a system 'bristle[d] with difficulties', not least the issue of rights accrued by workers in company schemes. The most obvious solution, he argued, would be to nationalize the pension funds, but he hoped that this would effectively be accomplished by the construction of a state earnings-related scheme offering benefits that the private sector would find it impossible to match. This, he suggested, would lead many employers to 'abandon, restrict, or curtail' their schemes, setting in train a 'long-term process of nationalization by attraction'.<sup>71</sup> In short, Titmuss was proposing a direct, deliberate, and extensive assault on the 'investment and political power' of the insurance industry in general, and of the pension funds in particular.

However, Titmuss's proposal also raised important issues for the TUC. Particularly problematic were the break with the flat-rate national insurance principle and the implications of a state earnings-related scheme for existing occupational schemes.<sup>72</sup> As regards the former, senior Labour figures had already concluded that improvements to state pensions must acknowledge that the popular appetite for increased taxation was waning.<sup>73</sup> The TUC, however, was equally adamant that it was not about to abandon the flat-rate principle, having reaffirmed it at Congress as recently as 1955.<sup>74</sup>

The means by which the TUC was brought to a compromise lay in Crossman's recognition that opposition to the abandonment of the flat-rate approach could be avoided if national superannuation was implemented as a supplement to the national insurance pension rather than as its replacement.<sup>75</sup> By September 1956 this 'basic-plus' approach had been accepted by the joint study group.<sup>76</sup> A rearguard action was fought by the social insurance and industrial welfare committee of the TUC, but Hugh Gaitskell bluntly told the TUC that a commitment to the flat-rate approach must inevitably restrict what the party could do to improve the level of the pension.<sup>77</sup> This put the TUC in a dilemma. The only means by which better pensions could be delivered, if one ruled out a rise in general taxation, appeared to be the institution of earnings-related contributions, but this would involve a fundamental break with TUC policy with 'far-reaching social and economic implications' that would need authorization by Congress.<sup>78</sup> Nonetheless, with the Conservatives having used the Phillips Report definitively to rule out the raising of the national insurance pension to subsistence, and with Labour having decided that an adequate pension could not be delivered by the flat-rate system, the TUC was left with little choice but to agree to a basic-plus approach embodying earnings-related contributions for the supplementary element.<sup>79</sup> The most it could do was to ensure the retention of the basic pension, the raising of its level to £3 from £2, and its indexation to the cost-of-living.

Whilst Labour's study group scored a victory over the TUC on earnings-relation, it suffered a major and highly significant defeat on the issue of compulsion – fundamental both to the financial viability of national superannuation and to the future of occupational pension schemes (and also, of course, of very great importance to existing and prospective members of these schemes). For Titmuss, the sooner all workers were in the state superannuation scheme the better, since otherwise the 'objectives of compulsory collective saving and the erosion of private insurance power would disappear' from the proposals.<sup>80</sup> If the elimination of private pension provision was central to the aims of Labour's academic advisors, however, Labour politicians, despite support for compulsion from Aneurin Bevan, ultimately proved more pragmatic, recognizing the political price that would be paid if hard-won occupational pension rights were lost by workers.<sup>81</sup> The blunt truth was that, with nearly nine million workers now covered by company pensions out of a workforce of around 22 million and with



union density at 43.9 per cent, Titmuss's proposals amounted to an assault not just on the insurance industry but on the pension benefits of many of the nation's 9.8 million unionized workers (notably better-paid workers in contributory schemes, such as miners, and any worker in a non-contributory scheme which, as public sector unions pointed out to the TUC, included 650,000 civil servants, plus another 400,000 industrial civil servants).<sup>82</sup> This fact was not lost on the TUC's social insurance and industrial welfare committee.

A meeting of Labour's home policy committee on 4 March 1957 considered the options and, in the process, identified some of the objections. At this stage, Labour's plan involved compulsorily enrolling into the new national superannuation scheme all new entrants to the labour market (with the hope that existing members would be brought in relatively rapidly by the process of 'attraction' that Titmuss thought the scheme's superior benefits would set off).<sup>83</sup> For the TUC, this raised two fundamental problems. Firstly, having new workers enrolled into National Superannuation whilst existing workers remained in the company scheme would create different conditions for workers doing the same job, something trade unions had traditionally staunchly resisted. Secondly, and perhaps more significantly, cutting off the supply of new entrants threatened the financial viability of occupational schemes. The TUC made plain its dissatisfaction.<sup>84</sup> Douglas Houghton, then a member of the TUC's general council, warned Crossman that as it stood the plan would be opposed by highly organized public sector unions. 'There is a very powerful pressure group here!' counselled Houghton.<sup>85</sup>

For the architects of national superannuation, however, TUC resistance to compulsion was a major problem. The brutal truth, set out for Crossman in a devastating note by the Co-operative movement's consulting actuary, was that without compulsion redistribution within the national superannuation scheme would lead to 'almost universal contracting out' by higher-paid workers of all ages, and by moderately paid younger workers.<sup>86</sup> Contracting out would therefore precipitate the loss of exactly the contributions that were most vital to the scheme's financial viability and its redistributory aims. As the study group warned the TUC, 'Only if extensive number of 'white-collared' workers were brought into [national superannuation] could the attractive benefits for manual and lower paid workers be financed'.<sup>87</sup> But whilst this

'satisfied a principal socialist objective by reducing inequalities', compelling better paid workers to join a redistributive national superannuation scheme would almost inevitably make them worse off if they were already in (or had reasonable hopes of being in) a company pension scheme – a point being hammered home to them by the Life Offices in their advertising and in their booklets aimed at occupational scheme members, many of them trade unionists. Moreover, the TUC social insurance committee feared the loss of new entrants would make many existing occupational schemes actuarially 'unsound'. This would 'break' the system for it would lead such schemes inevitably to 'wither away', to the detriment of their trade union members.<sup>88</sup> The result was that the TUC was in no mood to accept compulsion.

Essentially, therefore, the TUC analysis was identical to that of the City: Labour's proposals as they stood would herald the nationalization of the insurance industry. This was not just a matter of occupational pension scheme members losing accrued rights, or of trade union members being excluded from company pension schemes, whether either entering the labour market or changing jobs, serious though that obviously was; there would also be job losses in the insurance industry that would be opposed by the insurance unions. Privately, members of the social insurance committee felt they were being bounced by Labour on an issue that was fundamental to the financial viability of national superannuation, but one which 'raised complex issues of very great importance to the trade union movement'.<sup>89</sup> Although the TUC general council agreed to continue guarded discussions with Labour on national superannuation, keeping in mind the impact on existing schemes whose future 'depended on the intake of new members', its general secretary made it clear to his opposite number in the Labour Party that compelling new entrants to join national superannuation would be 'a mistake'.<sup>90</sup> By the end of April the compulsory enrolment of new workers into the new scheme had disappeared from the draft of *National superannuation*.<sup>91</sup>

This back-tracking by Labour had been required by the TUC's insistence that further consideration must be given to the whole question of existing schemes. Its strategy was to widen the discussion via a series of open regional meetings and to negotiate hard with Labour on the exact conditions under which occupational schemes would be allowed to contract out of national superannuation.<sup>92</sup> This was not without effect. By

July, the Association of Superannuation and Pension Funds came away from a meeting with Crossman reassured that 'it was appreciated that without new blood a private scheme could not be maintained and that the matter would receive further consideration'.<sup>93</sup> In September, Labour's pension plan was debated at the TUC conference. Alf Roberts, chairman of the social insurance committee, denied that a rift had developed between the TUC and the Labour Party over the proposals (few can have believed him). But he made it clear that Congress was not being asked to endorse the detail of the proposals, merely 'to endorse the general council's opinion that the new scheme was sufficiently attractive to justify further examination'.<sup>94</sup> This was hardly a ringing endorsement. Rhetorically, the debate suggested support for better pensions for the low paid, and for existing pensioners (not least from representatives of unskilled workers such as agricultural workers). However, Alf Roberts, opening the discussion for the General Council, was careful to confront the potential impact of National Superannuation on the many trade unionists already in superannuation schemes (which he acknowledged was an issue of 'fundamental importance'), and to do so in the context of the opt-out that the TUC had obtained for such schemes.

In fact, at the Labour Party conference in October, at which the national superannuation plan was unanimously endorsed, Crossman responded to complaints that earnings-related pensions were incompatible with socialism by indicating that the plan might in fact be 'too socialist' (i.e. too redistributive) for better-paid workers.<sup>95</sup> He was careful to reassure his audience that occupational pension schemes that could pass 'certain tests' (the major one being transferability) would continue to operate and promised to consult further on the TUC's 'grave anxieties' that 'sucking away new entrants will injure these schemes'.

On the basis of the reception given to the proposals at the TUC conference, the Life Office's determined that the industry might now profitably discuss the issue directly with selected union leaders.<sup>96</sup> They discovered them to be 'particularly anxious to protect the accrued pension benefits of their members' in company schemes.<sup>97</sup> By November, the conference of the Association of Superannuation and Pension Funds was confident that unions would act to defend their members' company pensions, having come to see Labour's proposals as likely 'to fill in the gaps that are there still

are in this world of private funds' rather than to replace them.<sup>98</sup> Nine months later, the British Employers' Confederation was actually worried that the compromises made by Labour on National Superannuation in terms of the ability to select against the scheme might be such as to generate a backlash within the party.<sup>99</sup>

However, allowing new entrants as well as existing workers to contract-out of national superannuation left Labour with a significant problem. As Tony Lynes, then a Labour Party researcher, noted, 'whatever words we may use to conceal the fact, it [was now] essentially a pay-as-you-go scheme' and one which in actuarial terms gave 'absurdly good value for money'.<sup>100</sup> If *National superannuation's* revenue and expenditure projections had been for a period greater than twenty years this would have been painfully apparent. Moreover, having conceded the principle of contracting-out for all, Labour was then left with the problem that occupational pension schemes could not be expected to compete with the dynamism of pensions in payment offered by national superannuation since this 'would make the concept of actuarial soundness quite meaningless'.<sup>101</sup> In June 1959, the study group confronted the problem. Drawing on the work of the Co-op's consulting actuary, and on informal meetings with the Institute of Actuaries, it decided that the only way in which contracting out could be achieved was to remove dynamisation from the earnings-related portion of the pension and apply it to the basic pension instead.<sup>102</sup> Thus the attractions of the national superannuation scheme were significantly downgraded and the relative attractions of private occupational schemes increased, with all that that implied for the likely rate at which occupational pension provision would continue to grow. All Labour could do was hope that 'rigorous enforcement' of the conditions for contracting-out would serve to reduce somewhat the inevitable outflow of higher-paid workers.

## IV

Labour's proposals for national superannuation were an attempt to deal with the increasing inadequacy of British pensions and to eliminate the 'two nations in retirement' that was increasingly evident as those dependent on state pensions fell behind those with occupational pensions. In addition, National Superannuation had the

potential to generate enormous amounts of money that might be used to modernize the British economy. It also represented a deliberate and determined assault by the scheme's academic architects on the power of the insurance industry. By extension, however, it also threatened the pension rights of workers with company pensions, many of them trade union members. This article has shown that resistance to the proposed scheme by the life offices and the trade unions played an important short-term role in discrediting Labour's proposal and rolling back some of its key elements. But it is the long-term significance of their actions that is most significant, for their resistance played an important part in ensuring that occupational pension provision would continue to expand, that the power of the pension funds would continue to grow, and that the potential to fund a 'developmental state' would not be realized.

The insurance industry waged a public relations campaign that is striking both in the financial resources devoted to it, and in the sophisticated way in which it sought to influence public opinion against specific elements of the national superannuation proposals. As part of this campaign, it effectively linked in the minds of voters the concept of national superannuation with fears that Labour was planning to use its funds to finance a new round of politically unpopular nationalization. It also sought successfully to mobilize occupational pension scheme members (and their trade unions) against the compulsory enrolment of workers in the national superannuation scheme. In doing so, it managed not just to ensure the continuation of occupational pensions in Britain but, by effectively ensuring that workers with above-average earnings would continue to be financially better off in occupational schemes, ensured the continued rapid growth of the latter.

Likewise, the decisions on contracting out that were forced by the unions on Labour helped to ensure the continued expansion of occupational pensions, not to mention the power of the pension funds. They also had significant implications for the scheme's financing, serving to weaken its economic viability. *National superannuation* estimated that only a quarter of workers would remain in private schemes – highly optimistic given that a third of workers, many of them higher-earners and thus likely to select against membership of the state scheme, were already in occupational schemes.<sup>103</sup> This underestimation produced overly optimistic assumptions about the scheme's revenue,

and about the likely savings in tax subsidies to occupational pension schemes.<sup>104</sup> In short, the decision to allow contracting out by all workers did not just favour occupational schemes, it also made the claim that national superannuation would be a 'funded' scheme for the long-term a hollow one, though this was not immediately apparent in financial projections that covered only the first twenty 'happy years' in which revenue would exceed expenditure.<sup>105</sup>

We thus see in the late-1950s an alliance of capital (in the shape of the life offices) and labour against national superannuation. This is not to say that the unions were as one, though the TUC did come to oppose the scheme. Nor is it so say that the resistance of these unlikely allies to specific elements of Labour's proposals was co-ordinated, though the insurance industry did expend considerable effort on seeking to influence the opinions of both leaders and members of trade unions. But Labour fatally misjudged these two groups' unity of interest in both preserving and expanding the role of occupational pension savings in Britain's overall system of income replacement in old age. In conjunction, the actions of capital and labour served to discredit and to distort Labour's conception of earnings-related pensions. Their separate campaigns also helped to ensure that it would be the Conservatives not Labour that would shape the landscape of British pensions over the next two decades. In doing so, they helped to embed private pensions, to guarantee an expansion in their scope, to ensure the continued growth in the financial power of the pension funds, and thus ultimately to secure a major role for the private sector in British pension provision, and a major role for pension capitalism in Britain. Within a decade, more than half the workforce was in a company pension scheme. The result, ironically, was thus the perpetuation of exactly the 'two nations in retirement' that the architects of national superannuation sought to eradicate.<sup>106</sup>

At the same time, a scheme that might have generated the revenue for the modernization of Britain by an active state prepared to intervene widely in investment decisions – something both major parties separately identified as a key part of their respective policy programmes in the early- to mid-1960s – came to naught. National superannuation had the potential to emulate the Swedish 'Meidner plan' of the late-1970s in which wage rises 'foregone' by workers were to be used to build up

collectively owned 'wage-earner funds' that would invest in domestic firms.<sup>107</sup> Blackburn sees the Meidner plan as torpedoed by 'bourgeois interests', but a more subtle view is that robust opposition from the Swedish Employers' Federation in conjunction with white-collar union members, aided by the SAP's loss of the 1976 election, led to a major dilution of the proposals that meant that, once introduced in 1983, 'their investment decisions were largely indistinguishable from those of capitalist investment funds.'<sup>108</sup> In Britain, we see a similar pattern, but with finance capital rather than the employers allying with trade unionists, and a more decisive failure to attain the objective of socialized investment.

In the absence of investment capital over which the state could exercise control, government attempts to modernize the private sector of the economy in the 1960s necessarily fell back on 'indicative planning' with firms encouraged to increase investment with capital raised via traditional means: retained profits, bank overdrafts, and equity markets in which the government had no influence and which inevitably took no particular interest in the long-term needs of the British economy. This article makes no judgment about the respective merits of collective and private control of investment capital but it has shown that by 1959 the former was effectively off the agenda. By 1967, contributions to occupational pension schemes amounted to £1.25 billion per annum and the net worth of their funds was rising by £810m per annum.<sup>109</sup> By 1979, pension funds were managing assets worth £20 billion – nearly a third of the market capitalization of all UK and Irish equities.<sup>110</sup> Pension fund capitalism, it seemed, was here to stay.<sup>111</sup>

## References

- Abel-Smith, B. and Townsend, P., *New pensions for the old*, Fabian Research Series, no. 171 (1955).
- Abel-Smith, B. and Townsend, P., *The poor and the poorest: a new analysis of the Ministry of Labour's 'family expenditure surveys' of 1953-54 and 1960* (1965).
- Abel-Smith, B., *The reform of social security*. Fabian Research Series 161 (1953).
- Bain, G. S., *The growth of white-collar unionism* (Oxford, 1970).

- Baldwin, P., *The politics of social solidarity: class bases of the European welfare state, 1875-1975* (Cambridge, 1990).
- Barberis, P., 'The Labour Party and Mr Keynes in the 1930s: a partial Keynesian revolution without Keynes', *Labour History Review*, 71 (2006), pp. 145-66.
- Blackburn, R., *Banking on death or investing in life: the history and future of pensions* (2002).
- Bridgen, P., 'A straitjacket with wriggle room: the Beveridge report, the Treasury and the exchequer's pension liability, 1942-1959', *Twentieth Century British History*, 17 (2006), pp. 1-25.
- Bridgen, P., 'The one nation idea and state welfare: the Conservatives and pensions in the 1950s', *Contemporary British History*, 14 (2000), pp. 83-104.
- Brittan, R., *The Treasury under the Tories* (Harmondsworth, 1964).
- Burkitt, B. and Whyman, P., 'Employee investment funds in Sweden', *European Business Review*, 94 (1994), 22-29.
- Campbell, A. et al (eds.), *British trade unions and industrial politics. Vol. 1* (Aldershot, 1999).
- Chalmin, P., *The making of a sugar giant: Tate and Lyle, 1859-1989* (New York, 1990).
- Clark, G. L., *Pension fund capitalism* (Oxford, 2000).
- Daunton, M., *Just taxes: the politics of taxation in Britain, 1914-1979* (Cambridge, 2002).
- Ellis, B. *Pensions in Britain, 1955-1975: a history in five acts* (1989).
- Esping-Andersen, G., *The three worlds of welfare capitalism* (Princeton, 1990).
- Fawcett, H., 'The Beveridge strait-jacket: policy formulation and the problem of poverty in old age', *Contemporary British History*, 10 (1996), pp. 20-42.
- Fawcett, H., 'The privatisation of welfare: the impact of parties on the private/public mix in pension provision', *West European Politics*, 18 (1995), pp. 20-42.
- Flora, P. and Alber, J., 'Modernization, democratization and the development of welfare states in Western Europe' in P. Flora and A. J. Heidenheimer, eds., *The development of welfare states in Europe and America* (1981).
- Fraser, D., *The evolution of the British welfare state* (Basingstoke, 1984).
- Gallup, G. H., ed., *The Gallup international public opinion polls: Great Britain, 1937-1975. Vol. 1, 1937-1964* (New York, 1976).



- Gamble, A., 'Theories and explanations of British decline' in R. English and M. Kenny, eds., *Rethinking British decline* (London, 1999), pp. 1-22.
- Ginsburg, N., *Divisions of Welfare* (1992).
- Glennerster, H., *British social policy since 1945* (Oxford, 3<sup>rd</sup> edn. 2007).
- Hacker, J. S., *The divided welfare state: the battle over public and private social benefits in the United States* (Cambridge, 2002).
- Hannah, L., *Inventing retirement: the development of occupational pensions in Britain* (Cambridge, 1986).
- Harris, J., *William Beveridge* (Oxford, 1997).
- Heclo, H., *Modern social politics in Britain and Sweden* (1974).
- Hennock, E. P., *The origins of the welfare state in Britain and Germany, 1850-1914* (Cambridge, 2007).
- Hill, M., *The welfare state in Britain: a political history since 1945* (Aldershot, 1993).
- Labour Party, *National superannuation: Labour's policy for security in old age* (1957).
- Leruez, J., *Economic planning and politics in Britain* (1975).
- Lowe, R., 'A prophet dishonoured in his own country? The rejection of Beveridge in Britain, 1945-1970' in J. Hills et al, eds., *Beveridge and social security* (Oxford, 1994), pp. 118-33.
- Lowe, R., *The welfare state in Britain since 1945* (Basingstoke, 3<sup>rd</sup> edn. 2005).
- Meidner, R., *Employee investment funds: an approach to collective capital formation* (1978).
- Middlemas, K., *Power, competition and the state, vol. 1: Britain in search of balance, 1940-1961* (1986).
- Middleton, R., *Government versus the market: the growth of the public sector, economic management and British economic performance, c.1890-1979* (Cheltenham, 1996).
- Morgan, J., ed., *The backbench diaries of Richard Crossman* (1981).
- Munnell, A. H., *The economics of private pensions* (Washington, 1982).
- Nijhuis, D. O., 'Rethinking the Beveridge strait-jacket: the Labour Party, the TUC and the introduction of superannuation', *Twentieth Century Brit History* (2009) 20, pp. 370-395.
- O'Brien, M. and Penna, S., *Theorizing welfare* (1998).

- O'Hara, G., *From dreams to disillusionment: economic and social planning in 1960s Britain* (Basingstoke, 2007).
- Olsen, G., 'Labour Mobilization and the Strength of Capital: The Rise and Stall of Economic Democracy in Sweden', *Studies in Political Economy*, (1991) 34, pp. 109-45.
- Orloff, A. S., *The politics of pensions* (1993).
- Pemberton, H., *Policy learning and British governance in the 1960s* (Basingstoke, 2004).
- Pemberton, H., "'What matters is what works": from "national superannuation" to "personal accounts"', *British Politics*, (2010), pp. 41-64.
- Ringe, A. and Rollings, N., 'Responding to relative decline: the creation of the National Economic Development Council', *Economic History Review*, LIII (2000), pp. 331-53.
- Ritschel, D. *The Politics of Planning: The Debate on Economic Planning in the 1930s* (Oxford, 1997).
- Rothstein, B., *Just institutions matter: the moral and political logic of the universal welfare state* (New York, 1998).
- Sass, S. A., *The promise of private pensions: the first hundred years* (Cambridge, MA, 1998).
- Sass, S. A., 'The development of employer retirement income plans: from the nineteenth century to 1980' in G. L. Clark, A. H. Munnell, and J. M. Orszag, eds., *The Oxford handbook of pensions and retirement income* (Oxford, 2006).
- Shonfield, A., *Modern capitalism* (Oxford, 1965)
- Swank, D., *Global capital, political institutions and policy change in developed welfare states* (Cambridge, 2002).
- Taylor, R. *The TUC from the general strike to the new unionism* (Basingstoke, 2000).
- Thane, P., 'The working class and state welfare' in Britain, 1880-1914', *Historical Journal*, 27 (1984), pp. 877-900.
- Thompson, N., *Political economy and the Labour Party: the economics of democratic socialism, 1884-2005* (2nd edn., 2006).
- Titmuss, R., *Poverty and population : a factual study of contemporary social waste* (1938).
- Titmuss, R., *Problems of social policy* (1950)

- Titmuss, R., *The social divisions of welfare* (Liverpool, 1956).
- Tomlinson, J., 'Attlee's inheritance and the financial system: whatever happened to the National Investment Board?', *Financial History Review*, 1, pp. 139-55.
- Tomlinson, J., 'Inventing "decline": the falling behind of the British economy in the post-war years', *Economic History Review*, vol. XLIX (1996), pp. 731-57.
- Tomlinson, J., 'Conservative modernisation, 1960-64: too little, too late?', *Contemporary British History*, 11 (1997), pp. 18-38.
- Tomlinson, J., *The politics of decline: understanding post-war Britain* (Harlow, 2000).
- Tomlinson, J., 'The Labour Party and the capitalist firm, c.1950-1970', *Historical Journal*, 47 (2004), pp. 685-708.
- Whiting, R.C., 'Ideology and reform in Labour's tax strategy, 1964-1970', *Historical Journal*, 41 (1998), pp. 1121-40.

### **Official Publications**

- Social insurance and allied services* (The Beveridge Report) (P.P. 1942, V).
- Report of the committee on the economic and financial problems of the provision for old age* (The Phillips Report) (P. P. 1954, VI).
- Government actuary, *Occupational pension schemes: a survey* (1958).
- Government actuary, *Occupational pension schemes: third survey* (1968).
- Pensions Commission, *Pensions: challenges and choices. The first report of the Pensions Commission* (London, 2004).

## Notes

<sup>1</sup> This article has benefitted from discussions over several years, most notably with Paul Bridgen, Pat Thane, Noel Whiteside, and Rodney Lowe; and with participants in discussion of aspects of the paper at the British Academy's symposium 'Why has it all gone wrong? The past, present and future of British pensions', North Atlantic Conference on British Studies, the annual conferences of the Economic History Society, Political Science Association, European Social Science History Conference, Social Policy Association, European Social Policy Association Network, and the research seminars of Bath University's Department of Social and Policy Sciences and Birmingham University's Department of History. I am also grateful to the referees of the *Economic History Review* for their helpful comments

<sup>2</sup> Brittan *Treasury under the Tories*, ch. 7. For a discussion of 'declinism' see Tomlinson, 'Inventing "decline"'. There is, of course, a vast literature on Britain's economic 'decline', but useful overviews can be found in Middleton, *Government versus the market*; Gamble 'Theories and explanations'; and Tomlinson *Politics of decline*. On the 'great reappraisal' and its aftermath see Leruez, *Economic planning*; Middlemas, *Power*, vol. 1; O'Hara, *Dreams*; Pemberton, *Policy learning*; Ringe and Rollings 'Responding'; and Tomlinson, 'Conservative modernisation'.

<sup>3</sup> Abel-Smith and Townsend, *Poor and the poorest*; see also Titmuss, *Social divisions*. For general discussion of the welfare state in these years see Glennerster, *British social policy*, pp. 71-96; Hill, *Welfare state*, pp. 46-52; and Lowe, *Welfare state*, pp. 147-8.

<sup>4</sup> Labour Party, *National superannuation* (hereafter '*National superannuation*').

<sup>5</sup> Hannah, *Inventing retirement*, p. 56.

<sup>6</sup> Clark, *Pension fund capitalism*, passim. See also Bridgen, 'One nation idea'; Heclo, *Modern social politics*, pp. 270-5; Fawcett, 'Privatisation of welfare'.

<sup>7</sup> Government actuary, *Occupational pension schemes: third survey*.

- <sup>8</sup> Flora and Alber, 'Modernization' in Flora and Heidenheimer, eds., *Development of welfare states*, p. 43; Ginsburg, *Divisions of welfare*, pp. 139-140; O'Brien and Penna, *Theorizing welfare*, p. 146; Rothstein, *Just institutions*, p. 151; Swank, *Global capital*, pp. 42-3.
- <sup>9</sup> Hennock, *Origins*, pp. 221-5; Taylor, *The TUC*, pp. 93-4. More subtly, Thane ('The working class and state welfare') argued that whilst organized labour was an important driver of the Liberal welfare reforms of 1906-1914 the pressure came from rank-and-file trade unionists rather than leaderships, which feared that state welfare benefits would enable employers to continue paying low wages and discourage working people from organizing against them.
- <sup>10</sup> Orloff, *Politics of pensions*.
- <sup>11</sup> See, for example, Baldwin, *Politics of social solidarity*; Esping-Andersen, *Three worlds*, ch. 2.
- <sup>12</sup> Esping-Andersen, *Three worlds*, pp. 100-16; Hacker, *Divided welfare state*, esp. pp. 124-5; Munnell, *Economics of private pensions*, pp. 8-13; Sass, 'Development of employer retirement income plans', pp. 85-6; Sass, *Promise of private pensions*, pp. 119-42.
- <sup>13</sup> Clark, *Pension fund capitalism*, pp. 48-54.
- <sup>14</sup> In 1956, the total of employees' and employers' contributions to private occupational pension funds amounted to 1.2 per cent of GDP (Government Actuaries Department data underlying Pensions Commission, *First Report*, Table 3.41, URL <http://www.webarchive.org.uk/wayback/archive/20070801230000/http://www.pensionscommission.org.uk/publications/2004/annrep/figs-first-rep/chapter3.xls>, accessed 12 Apr 2011). By 1979 that figure had nearly doubled.
- <sup>15</sup> Shonfield, *Modern capitalism*, pp. 88-120.
- <sup>16</sup> Harris, *William Beveridge*, pp. 398-404; *Social insurance and allied services* (The Beveridge Report), para. 240.
- <sup>17</sup> Lowe, 'A prophet dishonoured?', p. 128.
- <sup>18</sup> Ellis, *Pensions in Britain*, p. 3; Hill, *Welfare state*, p. 57; Lowe, 'A prophet dishonoured?', p. 127; Bridgen, 'Straitjacket with wriggle room'.
- <sup>19</sup> Baldwin, *Politics of social solidarity*, pp. 232; Bridgen, 'Straitjacket with wriggle room'; Whiting, 'Ideology and reform'; Daunton, *Just taxes*, ch. 9.

<sup>20</sup> Fraser, *Evolution*, pp. 230-1; Fawcett, 'Beveridge strait-jacket'; Lowe, 'A prophet dishonoured?', pp. 128-9.

<sup>21</sup> Thornton, *Richard Crossman*, p. 59.

<sup>22</sup> Titmuss had been Professor of Social Administration at the LSE since 1950. Though he had left school at 14 in 1921 he worked in an insurance company for 16 years until publishing *Poverty and Population* in 1938 and was subsequently recruited to write the official history of social policy in the Second World War, *Problems of Social Policy*. His inaugural lecture at the LSE, with its warnings inter-alia about the impact of rising longevity on the cost of pensions and its call for reform of social services to eliminate inequalities, was explicitly noted by Crossman (Morgan, *Backbench diaries*, p. 75). Brian Abel Smith had been at the LSE since 1955, working with Titmuss collecting data on NHS costs for the Guillabaud Committee. Townsend had researched social services for Political and Economic Planning (1952–54) and been research Officer at the Institute of Community Studies (1954–57) before joining the LSE as a research fellow in 1957. Abel Smith and Townsend had, together, published, *New pensions for the old* in 1955 and it was this that led Crossman to invite the three LSE academics to advise him on pension reform.

<sup>23</sup> *National superannuation*, p. 7.

<sup>24</sup> *Ibid.*, p. 9.

<sup>25</sup> *Ibid.*, p. 17.

<sup>26</sup> *Ibid.*, p. 21. No distinction would be made between men and women, who would accrue national superannuation rights on exactly the same basis and each retire at 65 – a course of action justified by an appeal to the reservation to the 1954 Phillips Report (p. vi) by Dr Janet Vaughan, principal of Somerville College, in which she trenchantly remarked that 'If women expect the same opportunities and conditions of work as men, they must also expect to make the same contribution to the productivity of the country through the length of their working life.' Though one should note that Titmuss was unable to persuade Labour of the case for paying credits to women for caring responsibilities and that most women would therefore receive a lower pension by virtue of their having fewer years of contributions.

<sup>27</sup> Working class contributors would benefit in other ways as well: the pension would be based on lifetime earnings, not on final salary as in many private schemes, thus

benefitting manual workers whose wages generally fell as their physical capabilities were eroded by age; their longer working life would allow them to make more contributions; and there would be a double credit for contributions of workers under twenty-five.

- <sup>28</sup> Hitherto workers had forfeited their pension rights on leaving employment before retirement, with any contributions they had made returned without interest. For the worker, this meant incurring a (potentially large) financial penalty. For the pension fund, it was a windfall gain.
- <sup>29</sup> See, for example, Labour Party archive, Manchester, (hereafter LPA), R.460, 'A new pension scheme. By Brian Abel-Smith', January 1955; LPA, Re.43, 'Some problems of provision for old age and national insurance', April 1956; LPA, Re.83, 'Study group on security and old age: The future development of pensions and superannuation. By Professor R.M. Titmuss', June 1956.
- <sup>30</sup> Phillips Report, p. 78 (though apparently the accumulation of funds in the private sector would not pose such a problem).
- <sup>31</sup> Government Actuary, *Occupational pension schemes: a survey*.
- <sup>32</sup> *National superannuation*, pp. 50 and 99-101.
- <sup>33</sup> Thane, *Old age*, p. 382. Even though national superannuation came as no surprise, having been widely trailed, shares in Britain's largest life assurer, Pearl Assurance, still fell 12 per cent during the week in which *National superannuation* was published according to prices published in *The Times*.
- <sup>34</sup> Archive of the Life Offices' Association, London, Guildhall Library (hereafter LOA), Ms. 28376/88, Draft press release by the joint life offices, 7 February 1957.
- <sup>35</sup> LOA, Ms. 28376/89, minutes of the goodwill advertising committee, 26 February 1957.
- <sup>36</sup> *Ibid.*, 21 March 1957.
- <sup>37</sup> LOA, Ms. 28376/89, 'Retirement pensions: the state scheme, occupational schemes and the future', 29 March 1957.
- <sup>38</sup> Morgan, J., ed., *Backbench diaries of Richard Crossman*, pp. 578-81, diary entry for 29 March 1957.
- <sup>39</sup> The scale of the marketing operation was not as great as Tate and Lyle's £248,000 'Mr Cube' campaign against nationalisation in 1949-50 (which had the advantage of

being able to place free advertisements on millions of packets of sugar), but print runs for its various booklets and the scope of the advertising campaign bore comparison (for more details of the 'Mr Cube' campaign see Chalmin, *Sugar Giant*, pp. 241-52).

<sup>40</sup> LOA, Ms. 28376/ 90, minutes of the goodwill advertising committee, 10 April 1957.

<sup>41</sup> LOA, Ms. 28376/ 90, press release by the joint life offices: 'Labour Party's new pension plan', 16 May 1957.

<sup>42</sup> LOA, Ms. 28376/91 and 28376/91, minutes of the publicity joint committee, 12 June 1957 and 13 March 1958.

<sup>43</sup> Perhaps reflecting their concern with providing pensions for the private sector, the life offices appear initially to have missed the rather obvious point, identified by Douglas Houghton, that public sector unions would prove vocal opponents of Labour's proposals (Crossman: MSS.154/3/S/204-419, 'Draft statement on National Superannuation Scheme. Notes by Douglas Houghton MP', 5 March 1957).

<sup>44</sup> LOA, Ms. 28376/90, notes by the chairman of the publicity joint committee, 22 May 1957.

<sup>45</sup> Some press headlines give a flavour of this: *Daily Mirror* 'These are the snags'; *Daily Express*, 'TUC snubs Socialists. Doubts over their pension plan'; *News Chronicle*, 'TUC hits half-pension plan'; *Daily Telegraph*, 'TUC doubts on Socialist pensions plan' (cuttings in LOA, Ms. 28376/92, 'Scrapbook', all 20 August 1957).

<sup>46</sup> LOA, Ms. 28376/91, 'The pensions problem: a statement of principle and a critical review of the Labour Party's proposals', 18 September 1957.

<sup>47</sup> The phrase was originally Macmillan's (*The Times*, 3 June 1957, 'Restrictive practices "out of date," says Mr. Macmillan').

<sup>48</sup> Baldwin, *Politics of social solidarity*, p. 237.

<sup>49</sup> See Barberis, 'The Labour Party and Mr Keynes'; Ritschel *Politics of Planning*, esp. pp. 131-6; Thompson, *Political economy*, pp. 116-19; Tomlinson, 'Attlee's inheritance'; and Tomlinson, 'Labour Party', p. 697.

<sup>50</sup> In July 1957, opinion polling suggested that only 18 per cent were in favour of more nationalization (Gallup, *International public opinion polls*, p. 413).

<sup>51</sup> LOA, Ms. 28376/96, 'Notley Advertising Ltd. Proposed press campaign, May-July 1958', 25 April 1958; LOA, Ms. 28376/97, minutes of the publicity joint committee,



21 May 1958; LOA, Ms. 28376/98, 'The pensions problem. Suggestions by Notley Advertising Ltd. for further activities in the public relations campaign', 3 July 1958.

<sup>52</sup> Bridgen, 'One Nation'.

<sup>53</sup> See for example The National Archive, Kew (hereafter TNA), CAB 129/88, C(57)205, 'Supplementary pension schemes', 16 September 1957.

<sup>54</sup> LOA, Ms. 28376/89, 'Retirement pensions: the state scheme, occupational schemes and the future', 29 March 1957.

<sup>55</sup> LOA, Ms. 28376/101, 'Meeting between the minister of pensions and representatives of the joint committee of the Life Offices' Association and Associated Scottish Life Offices', 3 December 1958.

<sup>56</sup> LOA, Ms. 28376/96, 'General meeting of the Life Offices' Association', 24 March 1958.

<sup>57</sup> TNA, CAB 128/31, Cabinet conclusions, 14 May 1957; TNA, CAB 134/2246, NI(57)15, 'Programme of work', 14 May 1957; TNA, PREM 11/2430, Macleod to Macmillan, 8 August 1957.

<sup>58</sup> TNA, CAB 134/2246, NI(57)12, 'National pension scheme. Note by the minister of labour', 6 May 1957; *Ibid.*, NI(57) 5<sup>th</sup> meeting of the national insurance committee, 8 May 1957. The 'life offices' scheme', as it became known in Whitehall, did however concede the principle of 'preservation' of pension rights on a change of employment.

<sup>59</sup> British Employers' Confederation archive, Modern Records Centre, Warwick University (hereafter BEC), MSS.200/B/3/2/C1120 parts 1-2, Graham Kerr (Engineering and Allied Employers' National Federation) to Kenneth Burton (Secretary of the British Employers' Confederation), 1 January 1954; BEC, MSS.200/B/4/2/3, *BEC Bulletin*, no. 63, 29 May 1957.

<sup>60</sup> See BEC, MSS.200/B/3/2/C1120 parts 1-2, NC.14053, 'Note on the provision to an employee on transferring to a new employer of benefit from the pension scheme of his former employer', 22 April 1954. The views expressed in this submission to the Phillips committee are restated in BEC, MSS.200/B/3/2/C1221, NC.16286, 'Transferability of pension rights', 4 December 1957.

<sup>61</sup> BEC, MSS.200/B/3/3/740 pt.1, 'Report of the national superannuation co-existence sub-committee to the national superannuation joint committee of the Institute of Actuaries and Faculty of Actuaries in Scotland', 2 July 1958.

- <sup>62</sup> Ibid., meeting of the BEC committee on pension schemes for manual workers, 16 December 1957.
- <sup>63</sup> BEC, MSS.200/B/4/2/3, *BEC Bulletin*, no. 90, 16 July 1958; BEC, MSS.200/B/3/3/740 pt.1, minutes of the BEC committee on pension schemes for manual workers, 16 December 1957.
- <sup>64</sup> Trades Union Congress archive, University of Warwick, Modern Records Centre (hereafter TUC), MSS.292/160.25/3, minutes of the TUC general council, 25 March 1953.
- <sup>65</sup> Alf Roberts making it clear that the TUC 'would adhere to their policy of flat-rate payments and flat-rate benefits without differentials' (Ibid., 28 October 1953).
- <sup>66</sup> TUC, MSS.292/166.21/1, Econ Committee 10/7, 'Inquiry into occupational pension schemes', 11 April 1956. The near unanimity is at odds with Nijhuis's assertion of a split between unions representing higher and lower paid workers (Nijhuis, 'Rethinking'). In part, this is likely to be because many lower-paid unionised workers (particularly in the public sector) were actually already covered by superannuation schemes, and perhaps also because many of those who were not had reasonable hopes, given the rapidity with which such schemes were expanding, that they might soon be.
- <sup>67</sup> TUC, MSS.292/165.2.3, SIIWC 12/3, 'Note on provision for old age through superannuation schemes', 14 April 1954. This was not an unreasonable fear given the Phillips Report's bleak conclusion that payment of a 'subsistence' state pension would be too expensive, and its suggestion that the government take advantage of the expansion of occupational pensions to reduce the scope of the state scheme.
- <sup>68</sup> LPA, R.460, 'A new pension scheme', January 1955.
- <sup>69</sup> Abel-Smith and Townsend, *New pensions for the old*, p. 7 makes an explicit reference to Titmuss in this context; see also Abel-Smith, *Reform of social security* and Titmuss, *Social divisions*.
- <sup>70</sup> LPA: Re.83, 'The future development of pensions and superannuation', June 1956.
- <sup>71</sup> Ibid..
- <sup>72</sup> Other problematic areas for the TUC were the abolition of the retirement condition and earnings rule, and the raising of the female retirement age.
- <sup>73</sup> LPA, minutes of the study group on security and old age, 4 July 1956.

<sup>74</sup> Ibid.; Heclo, *Modern social politics*, p. 262.

<sup>75</sup> LPA. Minutes of the study group on security and old age, 27 June 1956.

<sup>76</sup> Ibid., 25 September 1956.

<sup>77</sup> TUC, MSS.292/161/12, 'Joint meeting of representatives from the social services sub-committee of the Labour Party NEC and the social insurance and industrial welfare committee of the TUC', 28 January 1957.

<sup>78</sup> TUC, MSS.292/161/14, 'Labour Party study group proposals for superannuation scheme', 10 January 1957.

<sup>79</sup> *TUC conference report, 1957*, p. 352.

<sup>80</sup> LPA: Re.92, 'Compulsory or voluntary. A note by R.M. Titmuss', July 1956.

<sup>81</sup> Bevan's view is clear in Crossman Papers, University of Warwick, Modern Record Centre (hereafter CP), MSS.154/3/S/204-419, 'Points raised at the policy committee meeting on the draft document on security and old age', 1 February 1957.

<sup>82</sup> There no data on the number of union members in company pension schemes in 1956-7 (the first survey by the Government Actuary was not published until 1958) let alone a breakdown by type of union. The 1954 Phillips Report estimated that around eight million out of a total workforce of 23.3 million were covered by a superannuation scheme, of which about 38 per cent were public service workers (excluding employees of the nationalised industries). Workforce and union data cited here are from Bain, *Growth*, 22 and Campbell et al, *British trade unions* 103. Both Bain and Campbell note that public sector unionisation was growing rapidly at this time.

<sup>83</sup> TUC, MSS.292/166.21/2b, Re.146, 'Labour Party: report of the study group on security and old age: provision for old age', 1 March 1957; Titmuss Papers, British Library of Political and Economic Science, London, 1/10, 'Note by the secretary of the study group on security and old age', 7 February 1957.

<sup>84</sup> TUC, MSS.292/166.21/2b, Re.146, 'Report of the study group on security and old age: provision for old age', 1 March 1957.

<sup>85</sup> CP, MSS.154/3/S/204-419, Draft statement on national superannuation scheme. Notes by Douglas Houghton MP', 5 March 1957; CP, MSS.154/3/S/204-419, 'Report of a meeting of Labour Party home policy committee representatives held to

consider points raised at the informal meeting with members of the TUC social insurance committee', 4 March 1957.

- <sup>86</sup> CP, MSS.154/3/S/1/1-203, 'Notes on Labour's national superannuation proposals prepared by Mr A. Duval, F.I.A.', 19 February 1959.
- <sup>87</sup> TUC, MSS.292/161/14, SIIWC 10/9, 'Report of an informal meeting with the home policy committee of the Labour Party', 27 February 1957.
- <sup>88</sup> TUC, MSS.292/161/14, SIIWC 10, appendix to the minutes of the 10th meeting of the social insurance and industrial welfare committee, 13 March 1957.
- <sup>89</sup> TUC, MSS.292/161/14, SIIWC 10, minutes of the social insurance and industrial welfare committee, 13 March 1957; TUC, MSS.292/166.21/2b, SIIWC 10/5, 'The insurance industry', 13 March 1957.
- <sup>90</sup> TUC, MSS.292/166.21/2a, General Council minutes, 27 March 1957; Ibid., Vincent Tewson to Morgan Phillips, 5 April 1957.
- <sup>91</sup> CP, MSS.154/3/S/204-419, Re.152, 'Draft policy statement on national superannuation: Labour's policy for security in old age', April 1957, pp. 18-19. This is the final text found in *National superannuation*, pp. 21-2.
- <sup>92</sup> TUC, MSS.292/161/14, 'Report of a meeting between representatives of the SIIWC of the TUC and the Labour Party home policy committee', 22 May 1957; Ibid., minutes of the social insurance and industrial welfare committee, 12 June 1957.
- <sup>93</sup> CP, MSS.154/3/S/204-419, 'Notes on a meeting between the Association of Superannuation and Pension Funds and the Labour Party working party', 1 July 1957.
- <sup>94</sup> *TUC conference report, 1957*, pp. 350-60.
- <sup>95</sup> 'On benefits the only anxiety I have is that when the better paid workers look at the amount of redistribution under the scheme they may jib and call it too socialist' *Labour Party conference report, 1957*, p. 122.
- <sup>96</sup> LOA, Ms. 28376/92, minutes of the joint publicity committee, 13 September 1957.
- <sup>97</sup> Ibid., 13 March 1958..
- <sup>98</sup> BEC, MSS.200/B/3/3/740 pt.2, Association of Superannuation and Pension Funds autumn conference, 15 November 1957, address by W.H. Clough (FIA).
- <sup>99</sup> BEC, MSS.200/B/3/3/740 pt.1, 'Report of the national superannuation co-existence sub-committee to the national superannuation joint committee of the Institute of

ctuaries and Faculty of Actuaries in Scotland', 2 July 1958. When the Conservatives published their white paper on pensions in October 1958 one notes that, whilst Labour objected to this 'shoddy copy' of its own plan, it was careful to welcome the fact that members of 'good private schemes' would be allowed to contract-out (CP, MSS.154/3/S/1/1-203, 'Labour Party press statement on behalf of the working party on security and old age', 15 October 1958).

<sup>100</sup> Ibid..

<sup>101</sup> CP, MSS.154/3/S/1/1-203, 'Contracting out. Note by Tony Lynes', 20 February 1959.

<sup>102</sup> CP, MSS.154/3/S/1/1-203, minutes of the Labour Party study group on security and old age, 25 June 1959.

<sup>103</sup> Government Actuary, *Occupational pension schemes*.

<sup>104</sup> TUC, MSS.292/166.21/2b, 'Economic implications of the national superannuation proposals', 3 January 1957. In addition, as this TUC analysis also pointed out, raising the women's pension age might well be politically difficult to achieve

<sup>105</sup> See CP, MSS.154/3/S/1/1-203, 'Contracting out. Note by Tony Lynes', 20 February 1959. The phrase 'happy years' is Crossman's, see CP, MSS.154/3/S/204-419, 'Report of a meeting of Labour Party home policy committee representatives held to consider points raised at the informal meeting with members of the TUC social insurance committee', 4 March 1957.

<sup>106</sup> It would be two decades before Labour would again attempt to deal with the 'two nations in retirement' problem with the introduction of the State Earnings Related Pension in 1978 (though the Conservatives soon began to whittle down the scheme).

<sup>107</sup> Meidner, *Employee investment funds*.

<sup>108</sup> Blackburn, *Banking on death*, pp. 14-6; Burkitt and Whyman, 'Employee investment funds', pp. 25-6; see also Olsen, 'Labour mobilization', pp. 113-15.

<sup>109</sup> Government Actuary, *Third survey*.

<sup>110</sup> Hannah, *Inventing retirement*, p. 78.

<sup>111</sup> Half a century after National Superannuation, when Labour again turned its attention to occupational pensions for all in the wake of the Turner Report (Pensions Commission, *First Report*) the dominance of Britain's system of 'pension fund capitalism' was clear to see for there was never any serious consideration of a state

scheme, rather the thrust of policy was from the start directed towards a residual system of 'personal accounts' (to be implemented in October 2012 as the 'National Employment Savings Trust) in which the private sector would play a key role (see Pemberton, 'What matters is what works').